City of Portland Office of Management & Finance

THE FINANCIAL OUTLOOK

Accounting Period 9 (Feb. 12, 2004 to March 10, 2004) General Fund Financial Outlook (Issue Date: April 8, 2004)

Estimated Year-End General Fund Resources At AP-09 are forecast to range from \$365.5 million (LOW) to \$372.2 million (HIGH). Estimated revised budget, period 9. rose to \$391.4 million. Revised budget is about \$21.1 million above Council's Adopted Budget. As of period 9 of this fiscal year revenues are now about 4.97 percent ahead of revenues last year. Grant, inter-agency, and bureau fee revenues have picked up over the last couple of accounting periods. Discretionary revenues are doing somewhat better with property taxes now up a "solid" * Utility License Down -3.0 % vs. year-ago 1.22 percent. Overall, the General Fund's revenue * Property Taxes Up 2.1% vs. year-ago stream is starting to look a little better.

RESOURCE REC	CAP
* IBIS Budgeted Resources	\$391,376,781
* Resource Range(High)	\$372,189,449
(Low)	\$365,542,045
* Revenues At AP-9	\$270,761,878
Versus Year-AgoUP	4.97%
(*) Net of Short-Term Borro	wing
NOTEWORTHY A	Т АР-9
* Hotel/Motel Up 1.5 % vs. year-	-ago

Estimated Year-End Resource Range FY2003-04 General Fund Financial Model

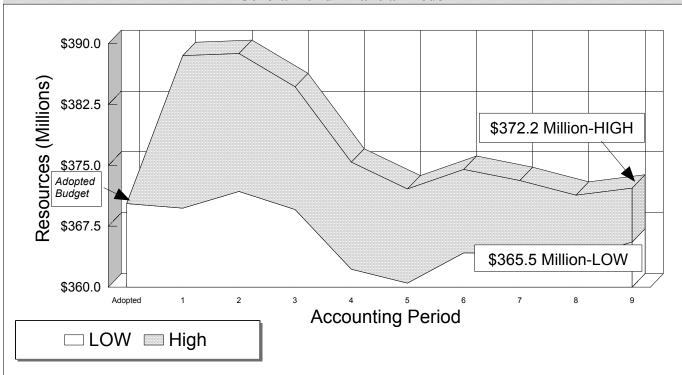


Figure 1-General Fund Resources, Year-End FY2003-04

The Bottom Line: Resources, year-end, are estimated to range from \$365.5 million (Low) to \$372.2 million (High). Budgeted resources are \$391.38 million. Year-end expenditure estimates range from \$355.1 million (Low) to \$358.6 million (High). Forecast year-end balance, beginning FY2004-05 balance, is forecast at somewhere between \$6.9 million (Low) to as much as \$17.1 million (High). This range continues to narrow.

Utility license fees have perked-up. Cold weather pushed NW Natural's franchise fees, year-to-date, to about \$4.5 million, 12.1 percent ahead of last year. Year-end revenues now look to be closer to, but still short of budget. PGE franchise fee continue to lag behind last year. PGE revenues total about \$11.5 million at period 9 versus \$12.6 million last year. Revenues are running about 9 percent behind Total franchise and utility license fee revenues are \$39.3 million versus \$40.4 million last year.

Business lice	ense rev	venues co	ontinue	to sho	w the	effects
of recession.	Gross	revenues	totaled	about	\$28.5	million
	4			4	_	

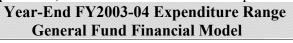
EXPENDITURE RI	ECAP
* IBIS Budgeted Expenses	\$391,376,781
* Expense Range(High)	\$358,644,134
*(Low)	\$355,075,535
* Expenses At AP-9(*)	\$236,733,439
Versus Year-AgoUp	2.0%
(*) Net of Short T	Term Borrowing
NOTEWORTHY AT	Г АР-9
* Personal Services UP 1.7% vs. yea	ır-ago

- * All M&S UP 1% vs. year-ago
- * Capital Outlays UP 73.8% vs. year-ago

at period 9 versus about \$30.0 million last year. Revenues by this measure are down 4.9 percent. Netting refunds out of this gross puts actual revenues received into the General Fund as \$24.9 million versus \$25.1 million; about even with last year. Net revenues are closer to last year because refunds are so far substantially lower than last year. It may be that revenues have for the most part bottomed out in this cycle and are establishing a new base from which some growth can occur.

Bureau fee and permit revenues continue to holdup well. Parks' main fee revenue category is about even with last year. Other miscellaneous fee and permit revenues remain well ahead of year-ago levels.

General Fund expenditures at AP-9 total about \$236.7 million vs. last year's \$232.1 million. Expenditures continue to accelerate. At period 8 expenses where about even with last year; at period 9, the difference is about 2 percentage points year over year. Personal services expenses



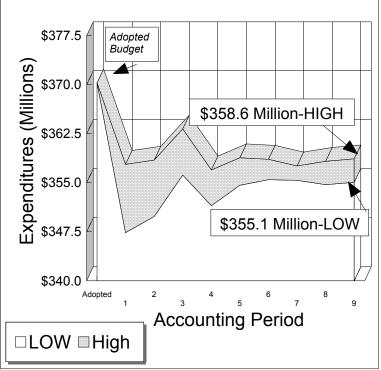


Figure 2-General Fund Expenditures, FY2003-04

continue to show solid growth and total about \$151 million at period 9 versus \$148.4 million last year. Year over year growth is almost two percent. This, despite the fact that sworn Police personnel do not yet have a new contract. A decision in the interest arbitration with the Portland Police Association (PPA) is expected sometime in late May or early June.

External materials and services spending at period 9 was slightly behind year-ago after adjustment for business license refund expenditures last year. Expenses to-date are \$31.8 million versus and adjusted \$32.6 million last year. Internal materials and services expenses, behind year-ago at period 8, are 6 percent ahead of year-ago at period 9.

Capital outlays now total about \$2.4 million as of period 9. Revised budget is up to \$3.4 million. It is likely that this budget will be 100 percent spent at year-end.

The Estimated Year-End General Fund Balance at AP-9 ranges from \$6.9 (Low) to \$17.1 million (High). The "point estimate" this period increases from \$8.93 to about \$10.5 million. This point estimate is slightly above the Mayor's Proposed Budget beginning fund balance of \$10.21 million. Year-end balance estimates continue to "hover" around the forecasted balance needed to begin the FY2004-05 fiscal year. A better tally of where the General Fund will land at year-end now awaits a decision from the arbitrator in the interest arbitration between the City and PPA. In addition, this is the first year of experience with the new accounting revenue recognition framework for business license revenues

on a net income concept. There is very little history that can serve as a useful guide to what year-end accrual adjustments will do to actual revenues. Until these two major uncertainties clear-up, it will be difficult to figure out where beginning balance for next year is likely to end up. A decision in the interest arbitration is expected as early

Estimated	Year-End Bala	nce Range
Item	Low	High
Resources	\$365,542,045	\$372,189,449
Expenses	\$358,644,134	\$355,075,535
End Balance	\$6,897,911	\$17,113,913

cision in the interest arbitration is expected as early *Ending Fund Balance Range* as May. Final numbers on business license revenues will not be available until August.

Estimated Year-End General Fund Balance Range FY2003-04 **General Fund Financial Model** \$45.0 \$40.0 Ending Balance (Millions) \$35.0 \$30.0 \$25.0 \$17.1 Million-HIGH \$20.0 \$15.0 \$10.0 \$5.0 \$6.9 Million-LOW \$0.0 Adopted 3 7 8 9 □ LOW ■ High Accounting Period

Figure 3-Estimated General Fund Balance, Year-End FY2003-04

Lumber Prices And Demand Surging

According to recent articles in the Wall Street Journal and Forbes, construction demand in a booming housing market has pushed prices for two key building components, copper and lumber, to multi-year highs and trending higher. Recent data from US Department of Commerce confirms this. Figures for privately-owned housing starts were 13% higher in February than a year ago. Coincidentally shares of Weyerhaeuser, Louisiana Pacific and Georgia Pacific are all trading near their 5- year highs. Lumber producers will continue to benefit from higher prices as long as low interest rates spur new home and remodeling projects. Another contributing factor to rising lumber prices is last summer's Western forest fires, which has reduced log supplies to lower levels relative to demand. Copper prices have also been escalating due in part to demand from China.

Table 1-General Fund Resources, FY2003-04			
	Through	Estimated	Revised
GENERAL FUND RESOURCE CATEGORY	AP-9	Year-End	Budget
INTERNAL REVENUES 41000			
Service Reimbursements	\$9,185,320	\$23,503,120	\$26,114,578
Other Internal & Transfers-IN	\$18,618,987	\$31,715,937	\$47,669,415
PROPERTY & LODGING TAXES 42100			
Property Taxes	\$138,765,877	\$149,815,353	\$148,899,888
Lodging Taxes	\$8,644,416	\$10,820,427	\$10,978,701
BUSINESS LICENSES, PERMITS 43000			
Business Licenses	\$31,091,552	\$37,263,632	\$34,331,514
Utility License/Franchise	\$39,229,710	\$54,709,069	\$57,235,993
Other Permits	\$1,943,410	\$2,608,659	\$2,663,825
SERVICE CHARGES & FEES 44000	\$8,371,477	\$12,843,481	\$12,950,087
STATE, FEDERAL SOURCES 46000	\$6,011,781	\$9,577,763	\$9,600,681
LOCAL SOURCES (Contracts) 47000	\$8,899,830	\$10,412,902	\$14,848,385
MISC. REVENUES & INTEREST 49400	\$3,055,849	\$4,721,321	\$6,696,437
TAX ANTICIPATION NOTES/Note Sales	\$0	\$0	\$0
BEGINNING FUND BALANCE	\$16,960,303	\$16,960,303	\$16,960,304
ENCUMBRANCE & CARRYOVER	. \$2,426,973	\$2,426,973	\$2,426,973
GENERAL FUND RESOURCE TOTAL	\$293,205,485	\$367,378,940	\$391,376,781
Estimated Percent Of Budget Resources Realized	74.9%	93.9%	

Table 2-General Fund Expenditures, FY2003-04			
_	Through	Estimated	Revised
GENERAL FUND EXPENDITURES	AP-9	Year-End	Budget
Salaries & Wages	\$109,282,569	\$160,073,985	\$168,627,514
Overtime	\$5,005,441	\$7,889,923	\$8,987,706
Benefits	\$25,507,910	\$36,514,401	\$37,549,763
Premium & Part-Time	\$11,168,980	\$16,371,142	\$17,934,538
TOTAL PERSONAL SERVICES	\$150,964,900	\$220,849,451	\$233,099,521
Estimated Percent Of Budget Spent	64.8%	94.7%	
EXTERNAL MATERIALS & SERVICES	\$31,772,425	\$50,975,427	\$70,416,015
Estimated Percent Of Budget Spent	45.1%	72.4%	
INTERNAL MATERIALS & SERVICES	\$29,660,113	\$45,951,091	\$47,422,226
Estimated Percent Of Budget Spent	62.5%	96.9%	
CAPITAL OUTLAY	\$2,416,725	\$3,432,663	\$3,432,663
Estimated Percent Of Budget Spent	70.4%	100.0%	
CONTINGENCY & UNFORESEEN	\$0	\$1,400,000	\$2,755,154
FUND CASH TRANSFERS	\$21,919,276	\$34,251,202	\$34,251,202
INVENTORY	\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL	\$236,733,439	\$356,859,835	\$391,376,781
Estimated Percent Of Budget Spent	60.5%	91.2%	

Table 3-General Fund Expenditu	ıres B	y Appropriati	ion Unit, FY2	003-04	
Percent Of Year Gone	9.2%				
Percent Year Left	80.8%	Through	Estimated	Revised	Percent
AU Description	AU#	AP-9	Year-End	Budget	Spent
Police Bureau	100	\$83,175,260	\$132,342,746	\$135,487,368	61.4%
Fire Bureau	124	\$48,245,891	\$70,392,514	\$71,980,617	67.0%
Bureau Of Parks	130	\$29,472,735	\$45,276,795	\$47,377,190	62.2%
Subtotal-Public Safety and Parl	(S	\$160,893,886	\$248,012,056	\$254,845,175	63.1%
Commissioner #2 (Sten)	190	\$426,078	NA	\$628,029	67.8%
Commissioner #4 (Leonard)	191	\$386,670	NA	\$623,902	62.0%
Commissioner #3 (Saltzman)	192	\$578,214	NA	\$769,459	75.1%
Commissioner #1 (Francesconi)	193	\$421,897	NA	\$671,831	62.8%
Office Of The Mayor	195	\$945,678	NA	\$1,401,811	67.5%
Operating Contingency	298	\$6	\$400,000	\$755,154	NA
Unforeseen Revenues	298	\$0	\$1,000,000	\$2,000,000	NA
Other Cash Transfers	299	\$21,919,276	\$34,251,202	\$34,249,702	64.0%
Office of Cable Com	300	\$1,045,093	NA	\$1,825,499	57.2%
Emergency Management 1	10	\$686,471	NA	\$1,098,282	NA
Office-Sus. Develop	302	\$959,634	NA	\$3,412,716	28.1%
Government Relations	303	\$490,738	NA	\$737,258	66.6%
Office Of Man. & Fin	307	\$15,500,848	NA	\$26,199,783	59.2%
Office Of City Attorney	312	\$3,504,722	NA	\$5,243,044	66.8%
Business Licenses	316	\$3,388,224	NA	\$8,745,121	38.7%
Unused Line		\$196	NA	\$0	NA
Stock Account	325	\$5,611	NA	\$25,000	NA
City Auditor	336	\$4,416,241	NA	\$6,983,943	63.2%
Unused Line		\$0	NA	\$0	NA
Office Neigh. Involve	342	\$5,188,182	NA	\$7,805,301	66.5%
Unused Line		\$0	NA	\$0	NA
Unused Line		\$0	NA	\$0	NA
Special Appropriations	401	\$3,906,654	NA	\$6,295,412	-4014.4%
Bureau Of Planning	510	\$4,900,864	NA	\$8,553,226	57.3%
Bureau Com. Develop	540	\$7,314,395	NA	\$18,507,133	39.5%
Subtotal-All Other AUs		\$75,985,692	\$118,715,120	\$136,531,606	58.4%
General Fund Total-All AUs	3	\$236,879,578	\$366,727,176	\$391,376,781	61.5%

Table 4-Revenue and Economic Indicators

This table summarizes some basic revenue and economic indicators. The onset of an economic slowdown or financial trouble will be reflected by indicators that climb above the applicable "Concern Level."

	FY2003-04	FY2003-04	
Reserve Fund Usage Condition	2nd Quarter	1st Quarter	Concern Level
Basic Revenue Growth (*)	0.4%	1.8%	Below 3.0%
Portland Unemployment Rate	8.0%	8.1%	Above 6.5%
Business License Revenue Growth	-4.5%	6.9%	Below 5.5%
Property Tax Delinquency Rate	5.7%	5.7%	Above 8.0%

^(*) Basic revenues include property taxes, transient lodgings taxes, business licenses, cigarette and liquor tax distributions, utility license/franchise fees, and interest income revenues, last 12 months compared to year-ago.

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